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T H E B E E F C A T T L E S I T U A T I O N

Summary

Some weakness in prices of the better grades of slaughter cattle may develop in late spring or early summer. But the Bureau of Agricultural Economics is of the opinion that prices of such cattle probably will advance seasonally in late summer or early fall. The advance at that time, however, may not be marked or maintained for very long unless business conditions improve substantially.

Prices of the lower grades of cattle are expected to be maintained near present levels during most of the spring. But during the summer and fall months prices of such cattle probably will decline as supplies increase seasonally.

The number of cattle on feed in the Corn Belt on April 1 was estimated to be about 20 percent larger than the very small number on feed a year earlier. On January 1 the number on feed was about 15 percent larger than a year earlier.

Because of large feed supplies and relatively low prices for fed cattle, marketings of such cattle apparently have been delayed to some extent. Reports from feeders indicate that the number of fed cattle to be marketed from April to June may not be much larger than a year earlier, but that the supply after June will be larger than in recent months and considerably larger than in corresponding months of 1937.

Market supplies of the lower grades of cattle will continue small, seasonally, during the remainder of the spring. Recent reports indicate that shipments of grass-fat, and stocker and feeder cattle from the Southwest during this period will be smaller than a year ago.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- Prices of choice and prime grade steers at Chicago last October were the highest for all months in the 16 years of record. Also, the spread between prices of choice and prime and of common grade beef steers was the widest on record, chiefly because of the marked shortage of well-finished grain-fed cattle. From late October through January, however, prices of the better grade steers declined about 50 percent. Prices of the lower grades of slaughter cattle also declined during most of this period, but much less sharply.

Cattle prices advance in February and early March

Prices of most grades of slaughter steers and heifers advanced moderately from early February to mid-March, and a further advance occurred in early April. Since January, prices of slaughter cows have been maintained at a comparatively stable level, but prices of cows advanced moderately in early April. Prices of veal calves, after remaining relatively high in January and February, declined sharply during most of March, as a result of a seasonal increase in slaughter supplies.

During March, all grades of slaughter steers at Chicago averaged 50 to 60 cents per 100 pounds higher than in February. But prices of the better grades of steers were from \$3 to \$5 below those of March last year. Prices of the lower grades of steers and of most grades of cows were moderately lower than a year earlier; while prices of the lowest grades of slaughter cows were about the same as in March last year. Although prices of veal calves declined in March, they averaged about as high for the month as a year ago.

The demand for stocker and feeder cattle has been fairly strong so far this year, chiefly as a result of the large supplies of feed and the relatively small number of hogs to be fed. Supplies of feed grains per animal unit on farms April 1 were the largest for all years of record. Prices of stocker and feeder cattle at Kansas City, in March, averaged almost as high as those of a year earlier, and were relatively high compared with prices of slaughter cattle.

Cattle marketings smaller than year earlier

The number of cattle slaughtered under Federal inspection in March totaled 809,000 head. This number was 13 percent larger than in February, but since March had 3 more marketing days than February, the daily rate of slaughter was about the same as a month earlier. Market supplies of slaughter cows and heifers in March continued seasonally small. And supplies of heavy, well-finished grain-fed steers were still relatively scarce.

Inspected calf slaughter in March totaled 506,000 head, 27 percent larger than in February, but 15 percent smaller than in March last year.

For the first 3 months of 1938, inspected cattle slaughter totaled 2 percent less than a year earlier, with a moderate decrease in cow and heifer slaughter partly offset by a slight increase in steer slaughter. Inspected calf slaughter in the first 3 months of 1938 totaled 12 percent less than the record large slaughter of the corresponding period in 1937, and was the smallest for the 3-month period since 1933.

Average live weights of cattle slaughtered in recent months have been somewhat heavier than those of corresponding months in the past 3 years, but have continued to be much lighter than in the years 1924-33.

More cattle on feed than last year

The number of cattle on feed for market in the 11 Corn Belt States on April 1 was estimated to be about 20 percent larger than the small number on feed a year earlier. This increase probably was equivalent to about 200,000 head. The number on feed this year, while materially larger than a year ago, was much smaller on April 1 than on that date in most years prior to 1934.

The number on feed April 1 this year was larger than last in nearly all Corn Belt States, with the largest percentage increases in South Dakota, Nebraska, Illinois and Iowa. Kansas is apparently the only State where cattle feeding has made no recovery after having been greatly reduced in the drought years. In the Eastern Corn Belt, the number on feed was considerably larger than the average for the 5 years 1929 to 1933. But in the Western Corn Belt, the number this year was much smaller than average.

On January 1 the number of cattle on feed was estimated to have been 15 percent larger than a year earlier. Records of marketings for the 3 months, January through March, indicate that the percentage increase in marketings of fed cattle during this period, compared with a year earlier, was less than the percentage increase in the number on feed January 1. The sharp drop in prices of fed cattle, and the abundant supplies and relatively low prices of feed grains apparently encouraged feeders to delay marketings of cattle to some extent.

Reports from a large number of Corn Belt feeders, giving the months in which they expected to market the cattle that were on feed April 1, show that the proportion intended for marketing in the 3 months April to June was much the smallest in any of the past 10 years. If these intentions are carried out, the supply of fed cattle to be marketed during these months may not be much larger than a year earlier, but marketings after June will be much larger.

Range prospects best in several years

Range and pasture prospects in the West are reported to be the best since 1931. New feed prospects are very favorable in most areas. In those sections of the Great Plains where winter feed was poor because of drought in 1937, good topsoil moisture is reported, although subsoil moisture is still short in many sections.

Cattle have wintered in good condition and are in good flesh except for a few thin cattle in the northern Great Plains sections. Winter losses generally were light, but in early April there were a few local losses as a result of severe storms.

Spring shipments from southwest to be smaller this year

The movement of cattle from the Southwest this spring is expected to be considerably smaller than the large movement last spring, according to recent reports received by this Bureau. Although there may be some increase in shipments from New Mexico, a marked reduction is expected in shipments from Texas, and probably a small decrease from Arizona. All three States have fewer cattle than a year ago.

Spring shipments of cattle from Texas in 1937 were of record proportions, totaling about 932,000 head compared with a 10-year (1925-34) average spring movement of about 649,000 head. Present indications are that fewer Texas cattle will go to Kansas and Oklahoma pastures this year than last. The spring movement of fat, stocker and feeder cattle from Arizona in 1937 was somewhat above average, but shipments from New Mexico were relatively small last year.

Fed cattle in recent months have moved rapidly out of Colorado and western Nebraska, with fewer cattle remaining in feed lots in this area in early April than a year ago.

In California, pasture conditions are above average in all sections of the State. Development of spring range feed has been delayed by excessive water in some valleys, but conditions appear favorable for comparatively large market supplies of grass-fat cattle from May to August.

OUTLOOK

In the February and March issues of this report the following indications were given with respect to the outlook for prices and slaughter supplies of beef cattle during the spring months:

1. Although slaughter supplies of the better grades of cattle are expected to increase seasonally during the spring months, further declines in prices of such cattle are not likely to be great in view of the sharp drop that occurred from October through January.

2. Prices of the lower grades of cattle usually rise in the spring season. But with a relatively narrow margin now prevailing between prices of the better and lower grades of cattle, a marked rise in prices of the better grades would have to occur before prices of the lower grades could score much advance.

Price changes in past 6 months like those in 1920-21

The sharp decline in prices of the better grades of slaughter cattle from October 1937 through January 1938, the moderate decline in February, and the moderate rise in March were similar to the price movements of such cattle in late 1920 and early 1921. This similarity is shown in the chart on the last page of this report. In both 1920-21 and 1937-38, sharp reductions occurred in industrial activity and employment, with a consequent weakening in consumer demand for meats, as well as lower hide prices. These reductions were much sharper than those which took place in the corresponding period of 1929-30.

With industrial activity and business conditions generally showing no signs of early marked improvement, it is probable that as market supplies of grain-fed cattle increase during the late spring and early summer, prices of the better grades of slaughter cattle will decline. This decline, however, is not likely to be nearly so great as in the late fall and early winter months. The increase in supplies of fed cattle during the next few months will not be unusually large.

The course of prices of the better grades of slaughter cattle during the second half of 1938 will be affected to a large extent by changes in the general business situation. Nevertheless, as in each of the past 16 years, some seasonal advance in prices of such cattle is likely to occur in the late summer or early fall even if industrial activity does not improve. This price advance may not be marked, however, and may not be maintained for very long unless general business conditions and consumer demand for meats show substantial improvement during the second half of the year.

Lower grade cattle high compared with prices of better grades

Prices of the lower grades of slaughter steers, slaughter cows, and stocker and feeder cattle in March and early April were relatively high compared with prices of the better grades of slaughter steers and heifers. The spread between prices of good grade steers and good grade slaughter cows at Chicago in March averaged about \$2 per 100 pounds, compared with an average spread of more than \$4 a year earlier, and a 10-year (1924-33) March average spread of about \$3.50.

Ordinarily, the spread between prices of the better and lower grades of slaughter cattle narrows during the spring months, with prices of the better grades tending to decline as supplies increase seasonally, and prices of the lower grades tending to advance as a result of small supplies. In view of the present narrow price spread, however, and the probability of some decline in prices of the better grades, not much advance in prices of the lower grades is likely to occur this spring. On the other hand, slaughter supplies of cows and of grass steers and heifers are expected to continue relatively small during the remainder of the spring. Hence, prices of such cattle are likely to remain high relative to prices of the better grades during this period.

In view of the relatively large supplies of feed available, the generally good pasture and range conditions, and the comparatively small shipments of stocker and feeder cattle expected from the Southwest, prices of stocker and feeder cattle during the late spring also are likely to continue high relative to prices of the better grades of slaughter cattle.

During the summer and fall months, prices of the lower grades of cattle usually decline seasonally as a result of increased market receipts at that time. As in the case of better grade cattle, changes in prices of the lower grades will be affected to a large extent by changes in the general business situation. Whether the seasonal decline in prices of the lower grades of cattle during the summer and fall months will be greater or less than usual will depend largely on whether industrial activity and incomes of consumers decrease or improve during the next 5 or 6 months.

Price per 100 pounds of cattle and calves, March 1938, with comparisons

Item	: Mar. : average : 1924-33	: Mar. : 1936	: Mar. : 1937	: Jan. : 1938	: Feb. : 1938	: Mar. : 1938
	: Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Beef steers sold out of first hand at Chicago:	:					
Choice and Prime.....	11.32	10.81	14.25	9.87	8.87	9.43
Good	10.34	9.31	11.51	8.29	7.91	8.49
Medium	9.23	7.93	9.12	7.22	7.17	7.68
Common	8.10	6.99	7.35	6.41	6.35	6.86
All grades	9.63	8.65	10.79	8.13	7.78	8.46
Cows, Chicago:	:					
Good	6.80	6.20	7.14	6.33	6.17	6.34
Low cutter and cutter....	4.19	4.10	4.55	4.57	4.45	4.66
Vealers, Chicago:	:					
Good and Choice.....	10.58	8.70	9.01	10.63	10.29	9.05
Stocker and feeder steers,	:					
Kansas City:	:					
500-800 pounds,	:					
Good and Choice.....	<u>3/</u>	7.64	7.74	7.12	7.14	7.64
800-1050 pounds,	:					
Good and Choice.....	<u>3/</u>	7.43	8.09	6.94	6.90	7.48
Average price paid by packers:	:					
Cattle	7.79	6.52	7.65	6.40	6.36	
Calves	9.46	7.36	7.89	7.88	8.18	
Average wholesale prices of	:					
packer hides, Chicago: <u>4/</u>	:					
Heavy native steers.....	12.73	13.00	16.75	13.81	11.88	10.55
Light native cows	11.89	10.62	15.60	10.31	8.72	8.70
	:					
	:					
	:					

1/ Good and Choice, 1924-27.

2/ Canner and cutter, 1924 - June 1926.

3/ Not available.

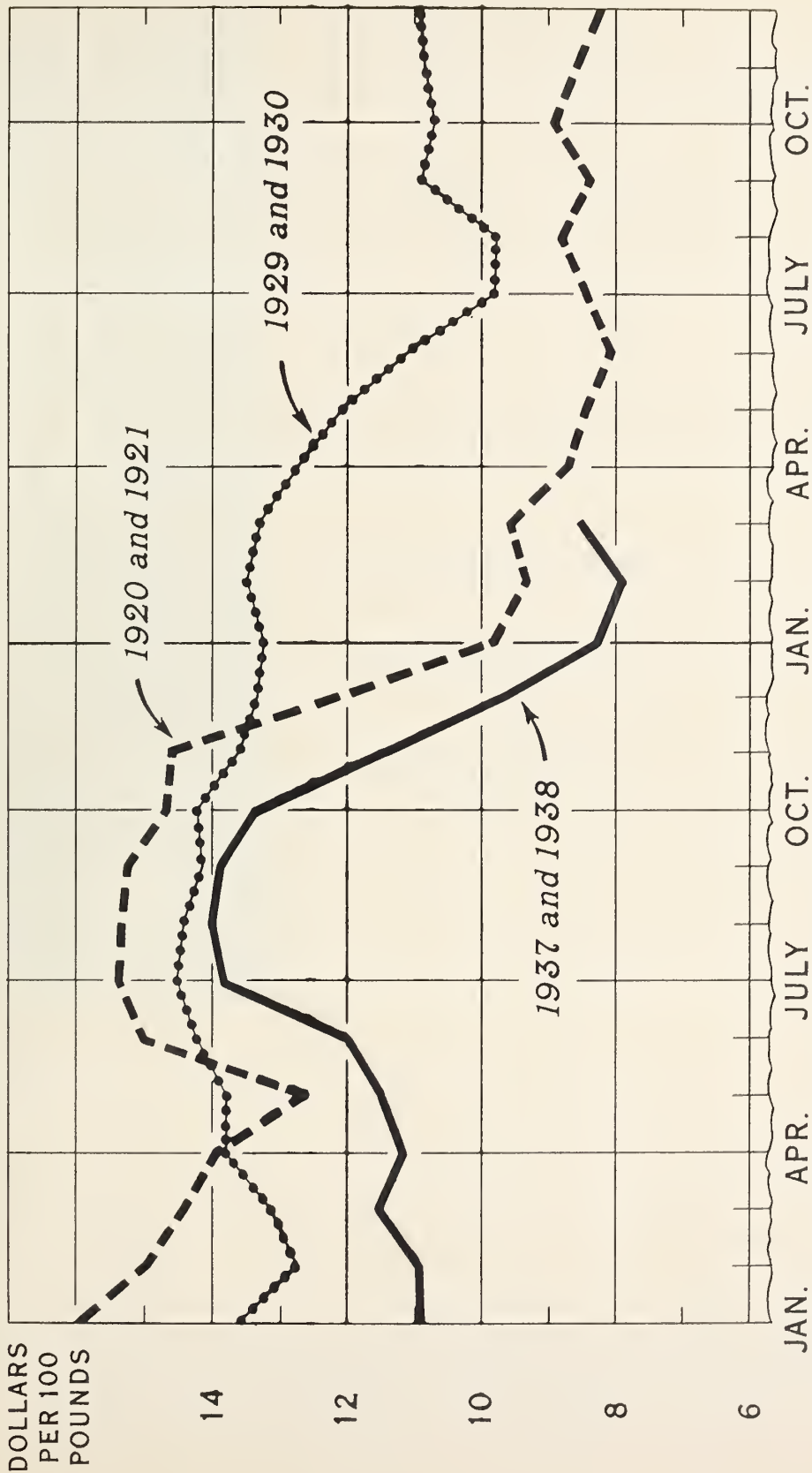
4/ 1924-36, from annual reports of the Chicago Board of Trade; 1937 and 1938 from the National Provisioner, simple average of weekly quotations.

Slaughter and market supplies of cattle and calves, specified periods

Item	Unit	Year		Month		
		Average	1937	Mar. 1937	Feb. 1938	Mar. 1938
		1924-33				
Slaughter under Federal inspection:						
Number slaughtered: <u>1/</u>	Thou-					
Cattle	sands	8,850	10,070	825	716	809
Calves	do.	4,819	6,281	592	398	506
Beef steers sold out of first						
hands at Chicago:						
Choice and Prime	do.	159	133	6	11	16
Good	do.	471	343	32	32	34
Medium	do.	416	190	27	24	23
Common	do.	105	61	4	5	3
All grades <u>2/</u>	do.	1,151	727	69	72	77
Receipts of cattle at seven						
markets <u>3/</u>	do.	4,804	7,691	576	474	565
		Year		Month		
		Average		Feb. 1937	Jan. 1938	Feb. 1938
		1924-33	1937			
Slaughter under Federal inspection:						
Number slaughtered:	Thou-					
Cows and heifers	sands	4,181	5,626	362	445	345
Steers	do.	4,340	4,037	325	362	353
Average live weight:						
Cattle	Pound	953	899	912	921	930
Calves	do.	176	189	176	190	174
Average dressed weight:						
Cattle	do.	516	470	484	492	504
Calves	do.	101	108	101	110	100
Total dressed weight:						
Cattle	Mil.lb.	4,532	4,699	341	406	359
Calves	do.	487	675	44	46	40
Stocker and feeder shipments from :						
public stockyards: <u>5/</u>	Thou-					
Cattle	sands	3,073	2,893	100	153	112
Calves	do.	365	578	21	35	25
Imports:						
Cattle <u>6/</u>	do.	253	507	44	23	24
Canned beef <u>7/</u>	Mil.lb.	<u>8/</u> 36	83	4	3	3

1/ Bureau of Animal Industry.2/ Totals of unrounded numbers.3/ Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City and St. Paul.4/ Average 1929-33.5/ Approximately 62 public stockyards prior to 1936, when the number was increased to 69.6/ United States Department of Commerce. General imports prior to 1934, beginning January 1, 1934, imports for consumption.7/ United States Department of Commerce. Imports for consumption.8/ Figures include "other canned meats" prior to 1929.

BEEF STEERS, GOOD GRADE*: AVERAGE PRICE AT CHICAGO, 2-YEAR PERIODS, 1920-21, 1929-30, AND 1937-38



* SOLD OUT OF FIRST HANDS FROM THE CORN BELT. DATA FOR 1920 AND 1921 FROM CHICAGO DROVERS' JOURNAL

